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ABSTRACT

Under the Master Plan of 1960, California was the first state to provide universal access to higher education for all high school graduates. Despite great success at all levels, higher education in California is now facing a crisis. This report makes nine broad recommendations for action concerning a new plan for California education to be created that will: (1) reaffirm the Master Plan's two major principles of opportunity for all motivated Californians able to benefit from higher education and division of institutional responsibilities; (2) stabilize state support; (3) temporarily freeze tuition and fee increases; (4) link state reinvestment to enrollment growth; (5) eliminate barriers on use of student fees; (6) fully utilize existing campus capacities and establish priorities for new campuses; (7) specialize and cooperate to improve quality and reduce redundancy; (8) begin accomplishing more with less; and (9) restructure administrative functions. Specific recommendations include an increase in the number of students completing their undergraduate degrees in 4 years or less, development of 3-year bachelor degrees, and use of new telecommunications technologies to provide distance education, further maximizing efficient use of facilities. (JLS)

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DISCUSSION DRAFT

TIME FOR DECISION:

California's Legacy and the Future of Higher Education

A Report with Recommendations from

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THE CALIFORNIA HIGHER EDUCATION POLICY CENTER

March 1994

Time for Decision is a draft written for the purpose of generating public discussion, review and comment. Please mail suggestions, criticisms or additional information to The California Higher Education Policy Center, *Time for Decision*, 160 West Santa Clara Street, Suite 704, San Jose, CA 95113.

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California's Legacy and the Future of Higher Education

A Report with Recommendations from

The California Higher Education Policy Center

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The most important bill in our whole code is that for the diffusion of knowledge among the people.

—Thomas Jefferson

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Introduction

The California Higher Education Policy Center is an independent, nonpartisan, nonprofit organization. Its purpose is to systematically examine issues critical to the future of California higher education and to stimulate public awareness, discussion and debate around those issues. Since its establishment in November 1993, the Center has monitored developments in higher education in California, has identified and analyzed trends and issues that will influence the future of colleges and universities in California, and has shared its observations and interpretations in a number of publications.

Time for Decision synthesizes much of what we have learned but differs from prior Center reports in two ways: (1) This report makes nine recommendations for *action*—recommendations for establishing public priorities, for stemming the damage brought about by recent budget cuts and policy decisions, and for beginning to plan for the future. (2) This report is issued as a discussion draft with an invitation to Californians within and outside of state government and our colleges and universities to discuss, debate, criticize, and offer alternatives to the approaches proposed here. Between now and mid-summer, the Center will encourage institutions, individuals and organizations throughout the state to review and respond to this draft and its recommendations. A final report will then be issued that will take into account this broadly participatory review of the draft.

We most sincerely hope that this report will elicit a spirited, constructive and critical response. Has the draft identified the key issues for the future? Does the analysis of these issues hold up under careful scrutiny? Do the recommendations—individually and collectively—point in the appropriate direction for California? Are there important omissions? What ideas would those who disagree with our recommendations propose?

It is time for Californians to engage in a serious and public conversation about higher education and its place in California's future. Without public policies derived from such discussions, the alternative appears to be a future characterized by diminished opportunity and eroded quality. *Time for Decision* represents one effort to stimulate that conversation. It intentionally challenges the leaders of state government, those responsible for the governance and leadership of colleges and universities, and every Californian concerned about the future of higher education. Our challenge is not based on confidence that we know the answers to the complex and, indeed, almost overwhelming questions raised by an

uncertain future. But answers must be found, and we are confident that Californians and their leaders can find them.

For its part, the Center is prepared to make the conversation as inclusive as possible, to enter vigorously into it, and to listen attentively to those who accept our invitation to constructive discourse.

Patrick M. Callan
Executive Director

Executive Summary

Though America's colleges face a number of challenges today, it's my feeling they will prevail. What makes this country great is that mobility across lines of class and race is still possible—and it's possible only through education. A good college education is the great equalizer. It's a passport to a life denied to some of our ancestors who, for whatever reasons, were unable to go to college.

—Bob Edwards
National Public Radio[1]

California is in trouble. Beset by recession, disrupted by the decline of a national Cold War economy, anxious about the future of high technology industries, and burdened with public complaints about the cost and effectiveness of government, state officials struggle to balance their books. In the midst of its financial crisis, the state is on the verge of squandering the legacy that enriched it because officials and educators have not taken the time to think through the consequences of their actions. That legacy, a commitment to providing all qualified Californians, whatever their economic status, with the benefits of a college education, is already badly battered; the social contract that made it possible has eroded. Since 1991, opportunities for higher education in California have been rolled back. In the face of population growth, opportunities for college attendance in California have been reduced by almost 200,000 places. In the current academic year alone, enrollment in California higher education dropped a dramatic eight percent. Community college enrollment fell by 137,000 students between fall 1992 and fall 1993. California State University enrolled 22,000 fewer students, the equivalent of a medium-sized campus. Only the University of California, with 2,317 fewer undergraduates and 586 fewer graduate students than a year ago, remained relatively stable.

Severe cuts in state funding have led to unprecedented price increases that have had punitive consequences for some students. A new bureaucratic terminology disguises the policy and practice of excluding qualified students with euphemisms such as "down-sizing," "right-sizing" and "enrollment management."

Equally disturbing are signs that these barriers to access are beginning to discourage potential students. The proportion of high school graduates who have completed the college

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[1] Bob Edwards, "Higher education: Passport to the American Dream," *Voices of America for Higher Education* (Southern Regional Education Board, February 1994).

preparatory courses required for the University of California declined in 1992 for the first time in almost a decade, with declines among African-American and Latino students being the most severe. The proportion of high school students enrolling in public colleges and universities in California has gone down throughout the 1990s. In brief, the policies of the past three years have dampened aspirations and discouraged enrollment.

Many enrolled students are paying more and getting less. Fees at community colleges increased 30 percent in 1993 alone; for students with bachelor's degrees, fees went up eight-fold. On the 20 campuses of the California State University system, fees have jumped 85 percent since 1990 and the system is seeking state approval to peg fees to expenditures. The nine University of California campuses have raised their fees by as much as 40 percent annually, added a variety of special "user" fees, and cut important services such as health.

Expedient in the short term, these decisions have been made in a policy vacuum. Made in haste, they may yet be repented at leisure, for they were made without genuine consideration and public debate concerning such important issues as the dynamics of campus productivity, the possibility that educational services might be delivered in new ways, the nature of California's economy, and the educational needs and aspirations of Californians in the next 10 to 15 years. Unless the citizens of California are willing to see the legacy lost entirely, the policy vacuum needs to be filled.

The time for hand-wringing about California's crisis in higher education is over. It is time to decide. Is the state still committed to open access or is it not? Should higher education expand or contract? What does the state propose to do to accommodate the 50 percent increase in qualified college students expected in the next 15 years? Does the state need new campuses? If so, what kind should they be and where should they be located? What mix of state revenues, tuition, fees and private giving is required to support higher education in California? How can colleges and universities become more productive?

Academic officials justify recent sharp fee increases on the understandable grounds that equally steep decreases in state support forced their hand. The Governor and Legislature have acquiesced in, even encouraged, these increases. In fact, fee increases combined with stopgap administrative measures (such as deferring maintenance, laying off some administrators, cutting back on library spending, reducing health and counseling services for students, and encouraging early retirement to reduce current salary costs) have so far permitted academic institutions in California to weather the state's fiscal crisis in relatively good shape. Students and their families, on the other hand, have been forced to shoulder sharp price increases and have not fared as well.

Even though educational institutions have emerged relatively intact from the state's economic chaos, the fiscal crisis has had significant educational consequences. Classes are

fewer and larger. Student-faculty ratios have increased. In a few cases, entire academic programs have been eliminated. But a remarkable contradiction is rarely acknowledged by academic leaders in California: although colleges and universities in the state received about the same number of dollars in the 1993–94 academic year as they did in 1990–91, they enrolled nearly 200,000 fewer students.

If higher education's fiscal crisis were one of the natural disasters so familiar to state residents, the emergency response would be straightforward: priority attention and relief funds would be focused on victims suffering the greatest damage. But in the face of higher education's fiscal disaster, the reaction of state and academic leaders has been to treat institutions as the victims, instead of the students who attend them. In fact, far from acknowledging that students have suffered the greatest damage, the state has turned to students and their families for emergency relief funds to support the academic *status quo*.

But the public, increasingly distressed at the prospect of a college degree priced beyond its grasp, is unlikely to support business as usual once it understands the full implications of what is developing. Indeed, two out of three Californians are convinced it is time to overhaul the entire structure.

Demographics are likely to accelerate this conviction. According to the National Center for Higher Education Management Systems in Colorado, California's colleges and universities will have to accommodate a 50 percent enrollment increase (at least 450,000 additional students) through the first decade of the 21st century simply to maintain current levels of access. There is no conceivable scenario under which higher education as currently delivered and financed can support that increase. Neither the state's economy nor higher education's share of state expenditures can grow rapidly enough to finance such an expansion.

Hence the biggest choice of all: it is time to decide whether to *reduce access* to higher education in California or to *encourage high quality higher education for all who can benefit*. Reducing access—at least initially—is easy. As the recent actions of public institutions demonstrate, closing the doors to the state's campuses can be done quietly with little public debate. Providing high quality higher education for all is hard. But it is far from impossible, as the state has demonstrated in the past. Making good on the legacy in the circumstances of today and tomorrow will require doing more with less, i.e., developing more cost-effective ways of delivering more educational services to more people.

The state dare not choose badly. One choice leads to economic growth built on the skills of a highly educated citizenry; the other, to a continuing decline in the quality of life in California, to ongoing economic difficulties as the state's private sector struggles to retool

its workforce, and to foreclosed career opportunities for California's citizens. And, as our surveys indicate, citizens are now protesting.

To choose well is to go on the offensive, to create the future instead of responding to it as it arrives. This document concludes with an agenda of nine broad recommendations to help frame the policy discussion about the shape of California's future.

1. Reaffirm the existing Master Plan's two major principles.

The Governor and Legislature should reaffirm the two basic principles of California's 1960 Master Plan for Higher Education: opportunity for all motivated Californians able to benefit from higher education, and division of institutional responsibilities.

2. Stabilize state support.

The state should stabilize its financial support for public higher education and for student financial aid programs, including those programs serving students attending private colleges and universities.

3. Temporarily freeze tuition and fee increases.

Undergraduate student charges should not be increased during the 1994–95 academic year and subsequent growth in these charges should be proportionate to growth in statewide personal income. If new permanent fee policies are required, particularly if they would raise the base from which increases are computed, they should not be implemented until it is clear that California's economy has recovered from the current recession.

4. Link state reinvestment to enrollment growth.

Even under the most stringent fiscal circumstances, the linkage between state funding and enrollment should be reestablished and maintained—while at the same time ensuring that educational quality is maintained or enhanced. Funding priority should be given to campuses that maintain or increase enrollment while at the same time providing quality education; as a corollary, new state dollars or increases in student charges should be linked to the enrollment of eligible students.

5. Eliminate barriers on use of student fees.

Colleges and universities should be able to use their revenues from student charges for educational or instructional purposes.

6. Fully utilize existing campus capacities and establish priorities for new campuses.

The Governor and Legislature should establish an impartial panel to examine existing and potential uses of higher educational facilities, public and private, under varying assumptions of utilization (e.g., a six-day academic week, greater early morning and evening utilization, and year-round operation). To the extent that new campuses are planned, they should be located near population centers. The primary missions of each should be undergraduate education, and graduate and research missions (if any) should be assigned only on evidence of compelling societal need.

7. Specialize and cooperate to improve quality and reduce redundancy.

The only way that the quality of graduate research and professional education can be preserved and enhanced during these difficult conditions is through achieving greater systemwide economy and efficiency. Campuses must be encouraged to specialize, and the three systems of public education must be encouraged to cooperate more extensively within and among themselves, and with private institutions. New academic research and graduate programs should be established only if they are justified by clearly demonstrating needs that cannot be met by existing programs and campuses.

8. Begin accomplishing more with less.

Overlap and duplication in campus offerings should be reduced. Moreover, one or more pilot programs at the University of California and at the California State University should be established to test the feasibility of a three-year degree, the time to degree in much of Europe. All institutions should similarly test technological and other productivity improvements that promise to meet enrollment demand and reduce time to degree without harming learning.

9. Restructure administrative functions.

Educational missions should be given the highest priority. The continued need for and size of each administrative component at systemwide and campus levels should be reviewed in terms of its cost and the value of its contributions to instruction, research and service.

CHAPTER ONE

The Legacy of Higher Education in California

I don't know how I am going to be able to afford to send my daughter. I will have to work two or three jobs. . . . I don't know how we will manage.

—Career Woman
Bakersfield, 1993

The people of California made an historic decision in 1960. As the first wave of "baby boomers" matured to college age and the American economy moved into high gear, Californians made the benefits of a college education available to every state resident motivated and capable of taking advantage of the opportunity. The commitment was a legacy intended to benefit successive generations of Californians, each expected to pass it on, undiminished, to the next. No other state has matched that impressive commitment to opportunity beyond high school.

Because they have not done so, no other state or nation has harvested the dividends Californians have collected from their investment in their colleges and universities: the development of the state's human potential has produced a citizenry with the talents and capabilities to enjoy a full life, improve the quality of life, and nurture and sustain the state's economy. Whether assessed in terms of benefit to the individual or the state, the state's support of higher education and individual opportunity has been repaid, many times over.

That commitment was embedded in the 1960 California Master Plan for Higher Education. The Master Plan was given life in a series of legislative enactments and "gentlemen's agreements" that guaranteed California high school graduates tuition-free admission to: (1) the University of California, if they ranked in the top 12.5 percent of their high school class; (2) the California State University, if they ranked in the top one-third; or (3) any of the state's 107 community colleges. The Master Plan also provided funds to support needy state residents attending independent colleges and universities.

Today, the legacy is badly eroded. Under the severe financial pressures of the early 1990s, the state has substantially reduced support for higher education. As Figure 1 indicates (on the next page), the state's three major public systems of higher education have dramatically increased the price of higher education to students. As Figure 2 reveals, despite population growth and severe economic dislocation, overall student enrollments have declined.

FIGURE ONE

Percentage Change in Student Fees[2]
(1990–91 to 1993–94)

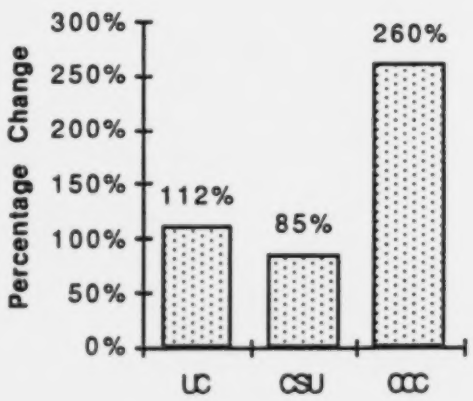
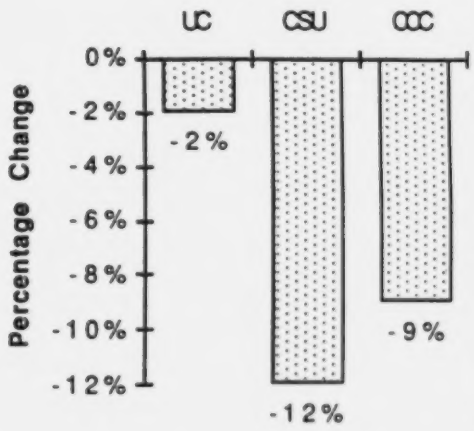


FIGURE TWO

Percentage Change in Enrollment[3]
(1990–91 to 1993–94)



Fee increases over the past three years could not have come at a worse time for Californians. Reeling from the effects of a deep recession, California's students and their families have seen more of their incomes used to support steep fee increases. As Figure 3 illustrates (on the next page), fees at the University of California and the California State University have taken up an increasing proportion of per capita personal income over the past three years. The sharp acceleration since 1990 reflects higher fees and slower growth in per capita personal income.

Just as in 1960, the state today faces a fundamental decision about its future, about how it will develop its human talent, and about the role of higher education in the state's growth. A new legacy may, or may not, include all the institutional arrangements of the original Master Plan. Times have changed and Californians must change with them. But whatever the new arrangements include, it is essential that they reaffirm the importance of access to opportunities for learning.

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[2] Source: Governor's budget, 1990-91 through 1993-94.

[3] Enrollment numbers are reported on actual student declines (head count). Sources: UC Office of the President, February 1994; CSU Analytic Studies, February 1994; Community College Chancellor's Office, February 1994.

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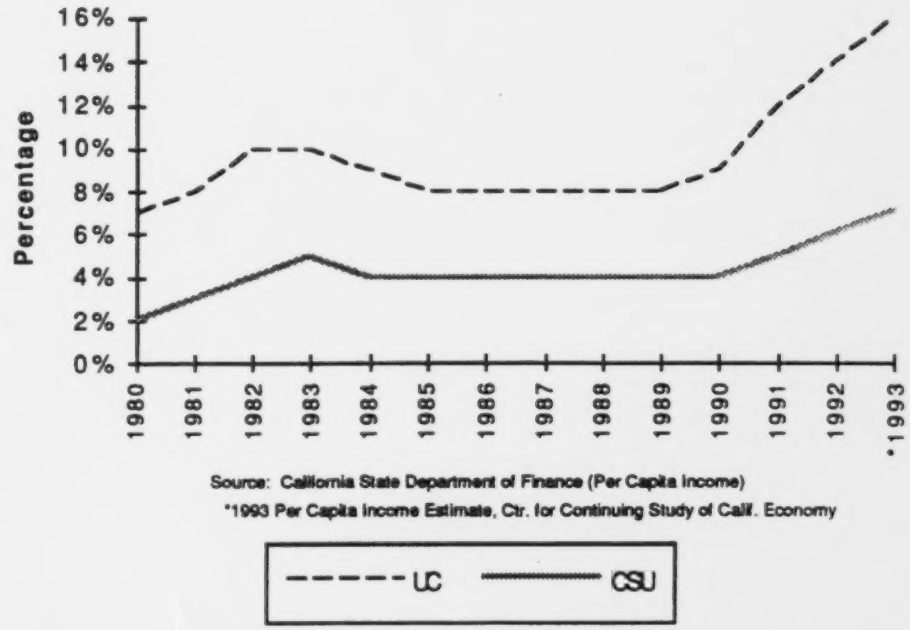
FIGURE THREE

UC and CSU Fees as a Percent of California Per Capita Income[4]



Source: California State Department of Finance (Per Capita Income)
*1993 Per Capita Income Estimate, Ctr. for Continuing Study of Calif. Economy

The California Higher Education Policy Center is under no illusions about the difficulties of maintaining opportunities for quality education. The 1990s dawned with higher education in perhaps its worst financial shape of the last 50 years. Following three decades of growth and handsome support, the financial outlook has changed.

Today's problems are very real. They are not likely to go away in the short run. In the long run, even assuming a turnaround in the state's economy, the problems are likely to continue: while demand for places on campus will grow dramatically in the next 15 years, concurrent pressures on the state to meet other public needs will mean that higher education's financial crisis will not end when the recession ends. Higher education is being forced to meet changing needs in a different financial framework; if our state's institutions fail to adapt today, they will find it increasingly difficult to do so tomorrow.

There is an urgency about this that is felt by the public but not yet reflected in the responses of state government officials and many college and university leaders. Opinion

[4] The fees from California Community Colleges, not included in this figure, have gone from zero to two percent of per capita income in California since 1983.

polls and focus groups conducted for the Center demonstrate the public's support for educational opportunity and its profound anxiety that California's legacy of access is in danger of being lost.[5]

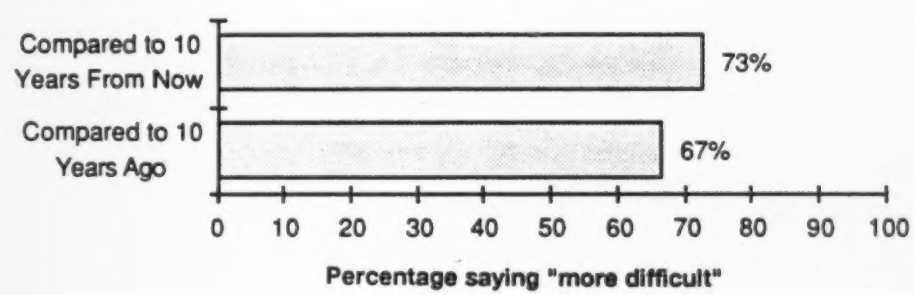
As the Center reported in *The Closing Gateway*, when Californians are asked to name their concerns about elementary and secondary education, they typically worry about quality. But an entirely different set of concerns emerges when they are asked to comment on higher education; here the key concerns turn out to be *cost* and *access*.

Californians understand that access to higher education is threatened. Almost unanimously, the public agrees (84 percent) with the proposition that "we should not allow the price of a college education to keep students who are qualified and motivated to go to college from doing so." Two-thirds of California residents (64 percent) accurately perceive that the price of higher education is going up faster than the costs of other things in the state. And more than half (52 percent) believe that many qualified people do not currently have the opportunity to go to college in California.

Moreover, people expect the situation to get worse: two-thirds agree that it is more difficult to get a college degree than it was ten years ago and three-quarters believe that college will be even more inaccessible in the future (see Figure 4).

FIGURE FOUR

Difficulty in Obtaining a College Degree

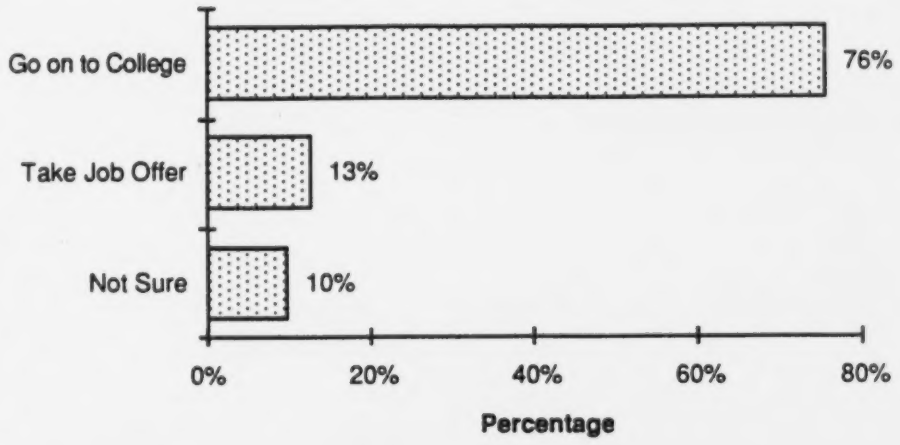


[5] See John Immerwahr and Steve Farkas, *The Closing Gateway: Californians Consider Their Higher Education System* (The California Higher Education Policy Center and The Public Agenda Foundation, September 1933).

Californians believe that educational opportunity is even more important today than it was in the 1960s because a college degree is as important to one's job prospects today as a high school diploma was a generation ago (see Figure 5).

FIGURE FIVE

Importance of a College Education



Question: "Which statement comes closer to your own view? High school graduates should go on to college because in the long run they'll have better job prospects, or high school graduates should take any decent job offer they get because there are so many unemployed people already."

The available evidence indicates that the public's common sense conclusions about the status and outlook for higher education in California are not mistaken. Indeed, the situation is probably grimmer than the public understands because the state's colleges and universities face a very uncertain outlook in the next two decades—explosive enrollment growth combined with constrained public support, without any real plan for dealing with either problem.

CHAPTER TWO

Higher Education and California's Future

I think everyone should have an opportunity to go to college; but it is hard to go, and the price is skyrocketing.

—Mechanic
Hayward, 1993

What lies in store for California higher education over the next fifteen years? We do not know, but must make our best guess—and so must the Governor, the Legislature, and college and university leaders. We are all responsible for tomorrow's generation.

Our own guess: California appears to be in the early stages of massive change that will transform higher education as the state itself is transformed in response to the economy's demand for highly skilled workers who can compete in a global market. Even though we cannot forecast technological and economic change exactly, we do believe that three important variables will have a critical impact on higher education's ability to respond to these changes: the number of probable students, the approximate costs of higher education, and the range of potential state revenues.

The Center's primary analysis of these issues, as reported in *By Design or Default?*, uses 1990–91 as the base year for projecting enrollment growth and educational costs through the year 2006.[6] The analysis is not a prediction of the future but a plausible scenario based on historical trends and current knowledge. It assumes the continuation of recent demographic and economic trends and of the *status quo* in higher education—e.g., that colleges and universities will continue to deliver traditional services in traditional ways.

These assumptions are very conservative. They do not, for example, take into account new demands that might be placed on higher education to retrain and upgrade the competence of employees. They ignore the possibility that school reform might markedly improve high school performance and graduation rates, with a consequent jump in demand

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6 Patrick M. Callan and Joni E. Finney, *By Design or Default?* (The California Higher Education Policy Center, June 1993). The report is based on a technical paper prepared for the Center by Dennis P. Jones, Ronald G. Parker, and Peter T. Ewell of the National Center for Higher Education Management Systems (NCHEMS), Boulder, Colorado.

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for college places. Despite these conservative assumptions, the results of the analysis are startling:

- California institutions will have to make room for a 50 percent growth in the number of full-time equivalent students by the year 2006.
- That is to say, enrollments are expected to grow from 915,000 in the 1991–92 school year to 1.4 million by the year 2006.[7]
- Based on the 1991–92 budget, state support will have to increase 52 percent to accommodate this enrollment growth.
- That is to say, state support will have to grow from $5.8 billion in 1991–92 to $8.7 billion in 2006.
- Estimated from the more depressed 1992–93 budget, state funding of higher education will have to grow 85 percent to accommodate these students.

The analysis explored the three most likely ways the state might try to maintain its historic commitment to access while continuing to provide educational services as they have in the past. Under none of these scenarios could the state or its colleges and universities meet this enrollment boom as higher education is currently delivered and financed.

The first scenario assumes the end of the current recession followed by rapid, powerful economic growth accompanied by restored and growing state revenues. Under this vision of the future, additional dollars are available for every public need, including higher education. Indeed, variations of this scenario have been held out repeatedly by state officials in recent years as a justification for fee increases in higher education. The implied promise has been that higher education's financial problems—and the accompanying need to raise fees—will disappear when the current recession ends.

Despite the optimism underlying this view, it turns out to be wishful thinking: in order for higher education again to receive its 1991 share of general funds, the state economy would have to achieve and sustain a rate of growth of nearly 7 percent annually (nearly 3 percent adjusted for inflation) to fund the anticipated enrollment boom. Growth in that range is conceivable, but not likely. State officials see budget deficits continuing throughout the 1990s, with a $5 to $7 billion single-year deficit projected for the year 2001.[8]

In short, reliance on renewed economic growth as the salvation of higher education is probably not justified.

A second scenario calls for dramatically increasing higher education's share of state revenues. In 1992–93, higher education's share of revenues was 12.4 percent, a substantial decline from the 15.9 percent level of 1985. Financing the enrollment surge of the next 15

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[7] Enrollment projections calculated on a full-time-student-equivalent basis.

[8] Kirk Knutson, *Beyond Business as Usual* (California State Library, May 1993). See also The Commission on State Finance, *Long-Range General Fund and Expenditure Forecast* (1991).

years out of the state budget would require an extraordinary reversal in state spending priorities: under a business-as-usual approach, meeting the cost of future enrollment demand will require the state to provide higher education with nearly 20 percent of general state revenues by 2006.

Even in its glory days in California, higher education never received one-fifth of general state revenues in any single year, much less over a sustained period of time. Pressing new demands on the state are growing almost exponentially—demands for increased funding for elementary and secondary education, preschool programs, services for the elderly, public assistance, medical care, corrections, and highways and transportation. This second scenario is no more realistic than the first.

The third scenario calls for closing the gap between growing revenue needs and disappointing state support by raising the price charged to students. Since the 1990s dawned, this has been the preferred approach of the four-year public colleges and universities.

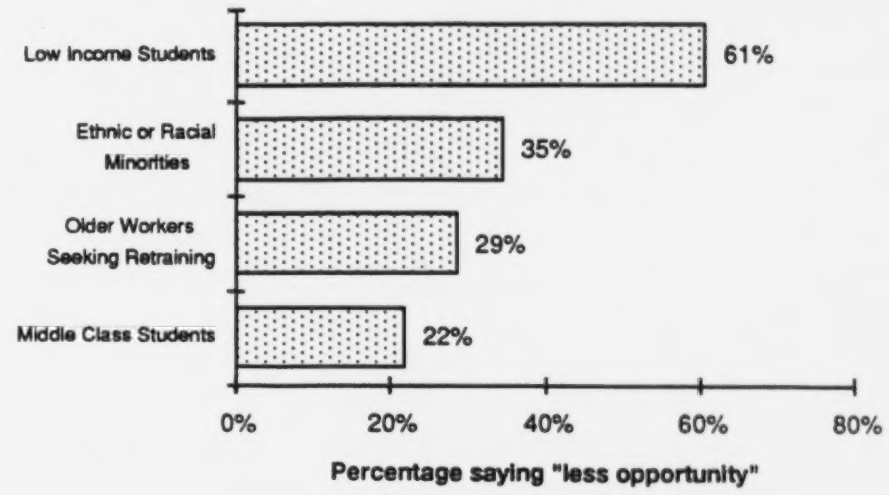
There are limits, however, to this approach. Raising the price charged to consumers—the students—to cover the entire shortfall would have catastrophic consequences. For Californians, the enormously increased student charges would mean a dramatic reduction in educational opportunity. For the state, reduced enrollments would run directly counter to California's growing need for a highly skilled workforce.

Indeed, lower enrollment as a consequence of higher costs is already a reality requiring urgent attention, a bridge the state must cross now, not one to be crossed sometime in the future. Even with additional financial aid for the most needy, recent increases in costs have already contributed to enrollment reductions of 200,000 since 1990. Additional price increases, particularly while the state is suffering from economic dislocation and high unemployment, can only depress them further.

It is not surprising that the Center's polls, as reported in *The Closing Gateway*, reveal growing public frustration, cynicism, and hostility toward the state's handling of higher education in recent years. Californians have little sympathy with efforts to restrict access by pulling the rug of opportunity from the next generation. As a respondent in Los Angeles put it, "the biggest problem is the elitist problem—the separation of the poor and the wealthy. Poor people will have a hard time getting an education, and that will leave everything in the hands of the wealthy." As Figure 6 reveals (on the next page), Californians overwhelmingly believe that low-income students have the least chance of any group to attend college.

FIGURE SIX

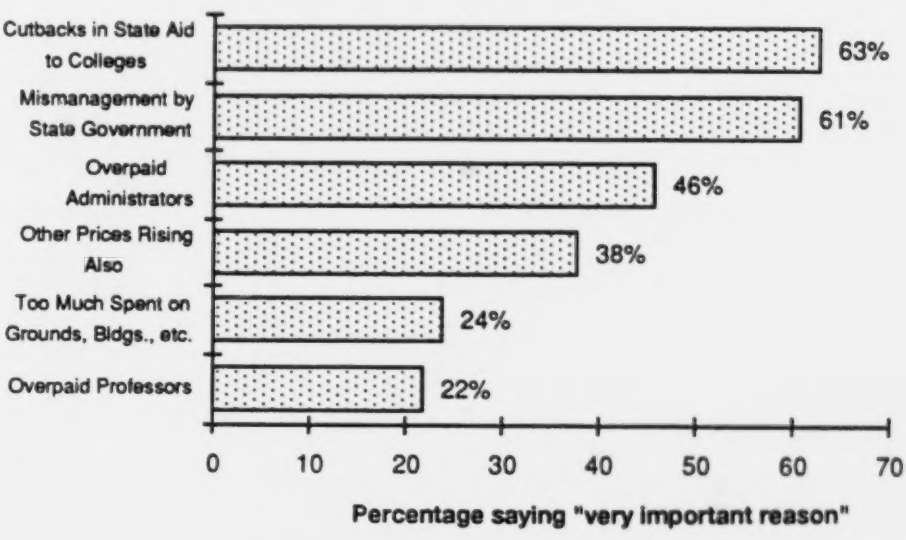
Which Groups Have Less Opportunity to Attend College?



More than six out of ten Californians hold the state, not colleges and universities, responsible for recent sharp increases in prices (see Figure 7). This cynicism can only be compounded if political and academic leaders, many of whom received the full benefit of the legacy, refuse to pass it on.

FIGURE SEVEN

Reasons for Rising College Prices



Three conclusions stand out with special clarity from the Center's enrollment analysis and public opinion poll:

- Maintaining current levels of access, with no improvements in opportunity for any group, will require accommodating a 50 percent increase in the number of full-time equivalent students by 2006.
- The people of California place a very high premium on the access promised by the legacy they inherited.
- Marginal changes in traditional financing mechanisms—however configured—cannot produce the additional $3 billion needed annually by 2006 to fund new enrollments if institutions continue "business as usual."

The major challenge facing California's elected officials is to begin designing policies that will stimulate the higher education system to do more with less, i.e., accommodate growing enrollments at lower cost per student while delivering on expectations for high quality in student learning. Educational leaders are on the front lines, but the Governor and Legislature are ultimately responsible for *public policy*. However capable they may be, college and university leaders cannot adequately serve the public interest if forced to operate in a state public policy vacuum.

The Center, along with others in California, has documented and called attention to the damaging effects of cutbacks in state appropriations to California colleges and universities.[9] Less attention and analysis, however, has been devoted to the state general fund and student fee revenue available to support higher education. As Table 1 illustrates (on the next page), the state general fund and student fee revenues for all three public systems [UC, CSU, and the California Community Colleges (CCC)] have been slightly reduced since 1990–91. When the sum of the state general fund revenue plus student fees is divided by full time students and adjusted for inflation, the University of California and the California Community Colleges have lost revenue in real terms since 1990. The revenue of the California State University, on the other hand, has increased in real terms by two percent.

As Table 1 illustrates, California faces a challenging agenda if access to learning is to be preserved for future generations. As Bruce Johnstone, chancellor of the State University of New York points out:

> Colleges and universities must become more productive: that is, produce more learning, research, and service at lower unit costs—more efficiently. Market and political forces alike are demanding more productivity from all

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[9] See Jack McCurdy and William Trombley, *On The Brink: The Impact of Budget Cuts on California's Public Universities* (The California Higher Education Policy Center, August 1993).

colleges and universities: public and private, undergraduate and graduate, two- and four-year, selective and less selective.

The challenge is to become genuinely more productive—not just cheaper and shabbier, or less scholarly, or otherwise merely less costly.[10]

TABLE ONE

Percent Change in State General Fund and Fee Revenue per FTE Student (1990-91 through 1993-94)

	Year	Enrollment (FTE)[11]	State General Fund plus Student Fee Revenue[12] (Dollars in Millions)	State General Fund plus Student Fee Revenue/ FTE	% Change (of state general fund and student fee revenue/FTE from '90-91 to '93-94)[13]
UC	1990-91	155,796	$ 2,466	$ 15,827	
	1993-94	151,713	$ 2,408	$ 15,872	-9% (.29% before inflation)
CSU	1990-91	278,502	$ 1,968	$ 7,067	
	1993-94	246,520	$ 1,956	$ 7,933	2% (10.9% before inflation)
CCC	1990-91	841,075	$ 3,526	$ 3,634	
	1993-94	858,177[14]	$ 3,200	$ 3,729	-7% (2.57% before inflation)

[10] Bruce Johnstone, "Enhancing The Productivity of Learning," *American Association of Higher Education Bulletin*, December 1993.

[11] As reported in the Governor's budget annually and calculated on a full-time-equivalent student basis.

[12] Revenue figures include the state general fund and student fees, including non-resident tuition. For the community colleges, they also include local revenues, including property taxes appropriated by the state. Revenue data for UC and CSU are from the Governor's budget (1990-91 through 1993-94); revenue data for the community colleges are from the Chancellor's fiscal data abstract, published annually.

[13] The percentage change was adjusted for inflation using the Higher Education Price Index (HEPI). No significant differences emerge when adjusting with the Consumer Price Index (CPI).

[14] Since 1990, overall community college enrollments have increased; between 1992–93 and 1993–94 the California Community Colleges lost 137,000 students.

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Doing more with less is a tall order, but it appears to be what the citizens of California expect: two-thirds of the residents of the state (64 percent) support a fundamental overhaul of public higher education in California, a figure substantially higher than the proportion of people nationally (54 percent) who support such an overhaul in their states.

The Center completes its first year with nine recommendations. Properly developed, these recommendations can contribute to the foundation for a new vision of how the Governor, the Legislature and the higher education community can successfully guide the state and higher education into the 21st century.

CHAPTER THREE

Sustaining the Legacy in the Future: Policy Recommendations

I can't get a job because I have to go to school to qualify, and I can't afford to go to school because I don't have a job.

—High School Teacher Needing Additional Certification
Sacramento, 1993

Like many of the most successful institutions of post–World-War-II America, higher education must confront a new and demanding agenda for change—not because it has failed, but because it has been so successful. Despite that success, new and challenging times demand new and challenging thinking. The economic, technological, organizational and demographic revolutions reshaping our world require thoughtful and effective responses from all the major institutions in our society. Our state's colleges and universities can claim no special exemption from that requirement.

As the world changes, higher education's challenge is to participate in designing and redesigning a brighter future for itself and the state's people. Academic leaders will find that it is far better to be at the table as the discussion takes shape than to find themselves in the position of the leaders of the American medical community as the health care reform debate exploded overnight—ignored because health care leaders had insisted that the future should be pretty much a continuation of the past.

In higher education, as in health care and other essential services provided by talented professionals, the idea of accommodating change often comes down to whether the campuses place a premium on meeting society's needs. But without a clear demonstration of public priorities, defined by the state and backed up in the budget, there is little hope this point of view can prevail against the internal priorities, the dynamics, and sometimes, sadly, the inertia of academic systems and institutions.

The confluence of three factors—increased demand, decreased state support, and conscious decisions to reduce enrollments—has already profoundly altered California's educational landscape. The Center believes that nine recommendations can help navigate our way in these new circumstances.

These recommendations are based on the Center's analyses in its first year and meetings and conversations over 12 months with citizens and with public and academic leaders from around the state and the nation. Although drawn from many sources, these recommendations have one thing in common: each is formulated as the beginning of a comprehensive and challenging agenda for the people of the state, their elected representatives, and the higher education community. The Center invites public discussion of these recommendations and encourages those with different conceptions of the state's future—or alternative ideas about how to create it—to put their proposals forward. To the extent that some of these proposals are already under consideration, we hope this report will stimulate a sense of *urgency* about implementation.

These are recommendations for *decision* and *action*. The historic 1960 California Master Plan for Higher Education created a lasting and fundamental social compact because state and education leaders understood and squarely faced the urgency of acting on the state's emerging needs. State and academic officials must replace today's customary bias for multi-year studies, often inconclusive, with a *bias for action*. The knowledge, analyses and information needed to *decide* and *proceed* with initial implementation are not perfect—they never are. But they are available.

1. Reaffirm the Master Plan's two major principles.

The Governor and Legislature should reaffirm the two basic recommendations of California's 1960 Master Plan for Higher Education: opportunity for all motivated Californians able to benefit from higher education, and division of institutional responsibilities.

Even more pressing than the need for money is the need for policy guidance from California's elected officials. Unless the colleges and universities know what they are expected to accomplish, increased funds will merely subsidize a *status quo* that is increasingly irrelevant to the needs of the state and its people.

Under the assumption that state policy changed in 1992-93 when the Governor's budget cut funding adrift from enrollment demand, access and opportunity have been greatly reduced. Equity as well as civic and economic self-interest require that the Governor and Legislature correct this mistake. Tomorrow's generations must be given the same opportunities that the present generation enjoyed.

On the other hand, the division of labor among the three public systems survives and flourishes in the absence of controversy. We know of few who would argue that an explicit, sometimes exclusive, assignment of institutional functions is educationally or economically undesirable. In fact, as reflected in the Center's seventh recommendation below, we believe

that more specialization and more cooperation among and within public higher education systems—and between public and private colleges and universities—will be critical to the future accessibility and quality of higher education in California.

2. Stabilize state support.

The state should stabilize its financial support for public higher education and for student financial aid programs, including those programs that serve students attending private colleges and universities.

For the last three academic years successive budget reductions have had a devastating effect on California's campuses. Although officials of public systems often exaggerate the extent of the reductions—and rarely mention the fact that most cuts have been made up with higher fees—the cuts have been real and damaging. Students are paying more and receiving less for their money.

There are signs that state leaders recognize the need to halt the state disinvestment in higher education. In the state budget adopted last summer, colleges and universities were spared yet another round of cuts in the face of a budget crisis of major proportions. And the initial version of the Governor's budget for 1994–95 provides some modest relief to higher education.

Planning in the midst of crisis can rarely be effective. The Center believes the State of California needs to reaffirm its commitment to higher education in the state, particularly to access and educational opportunity, by stabilizing support at 1993–94 levels.

3. Temporarily freeze tuition and fee increases.

Undergraduate student charges should not be increased during the 1994–95 academic year, and thereafter growth should be proportionate to that of statewide personal income. If new permanent fee policies are needed, particularly if they would raise the base from which increases are computed, such policies should not be implemented until it is clear that California's economy has recovered from the current recession.

Of first importance is the need to accommodate qualified students and to call a halt to recent price increases. Without those decisions, the game will have been conceded before it begins. Deliberate "down-sizing"—the current jargon for excluding qualified students—is already a reality in California. Higher education is the only sector that "down-sizes" by reducing customers. Other sectors reduce overhead. These exclusionary approaches have no part in the California of the future. The Center recommends that the state and the governing boards of higher education immediately establish a moratorium of at least one year on increases in the price charged to consumers of public higher education. The Center also

recommends an interim policy that, after the first year, would allow increases only in proportion to increases in average statewide personal income in California.

Putting a lid on price increases, however, is just the first step. The State of California also needs to stabilize support by linking state reinvestment in higher education to enrollment growth.

4. Link state reinvestment to enrollment growth.

Even under the most stringent fiscal circumstances, the linkage between state funding and enrollment should be reestablished and maintained—while at the same time ensuring that educational quality is maintained or enhanced. Funding priority should be given to campuses that maintain or increase enrollment while at the same time providing quality education; as a corollary, new state dollars or increases in student charges should be linked to the enrollment of eligible students and the provision of educational opportunities for those students.

As the Center's analyses make clear, accommodating the enrollment boom anticipated throughout the remainder of this decade and into the new century will require substantial new public and private investment in California higher education. The state has been busy disinvesting in higher education in recent years; if the state is to be able to handle the numbers of new students seeking the benefits of a college education it needs to begin a program of reinvestment. The longer the reinvestment is delayed, the greater the damage we can expect.

The Center believes the reinvestment strategy (for public institutions of higher education and for state student financial assistance) should be based on including incentives to enroll and serve eligible students. Financial penalties for turning students away might also be considered. Although the need for such a policy would have appeared ridiculous a decade ago, today some colleges and universities are deliberately reducing enrollments and some academic officials are speaking publicly about accommodating budget cuts by further reductions. This must not be allowed to happen.

The Center believes this recommendation should be implemented under even the most stringent budgetary circumstances, even if it requires reallocation within and among budgets. New state dollars for any purpose should be conditional upon enrolling qualified students.

Any new state revenues for higher education—whether state appropriations or publicly approved increases in prices charged students—for *any purpose* should be conditioned upon the acceptance and accommodation of eligible and qualified California students. State policy should seek to provide *incentives*, however modest, to institutions that accept, enroll and

provide quality instruction to eligible students. For the Governor and Legislature to take any other position would be to acquiesce in the reduction of opportunity in California.

The objection most frequently raised to adding students when overall budgets decline is that the quality of education will be jeopardized if expenditures per student are reduced. Obviously, the level of financial support is related to the quality of education. This objection, however, places the burden exclusively on taxpayers and students and ignores the reality that systems and institutions rarely explore how they might provide services more effectively and efficiently. Every thoughtful observer of higher education understands that how financial resources are deployed is often as important to institutional productivity as absolute levels of support.

What the state and its citizens need to understand is that institutional quality should not be judged solely on the grounds of conventional ideas such as prestige and high levels of expenditure per student, but also on real-world concepts of productivity, student learning, and efficiency in delivering educational services.

5. Eliminate barriers on use of student fees.

Colleges and universities should be able to use revenues from student charges for educational and instructional purposes.

The ideal of enhancing higher educational opportunity in California by keeping the cost to students as low as possible is one that was honored for many years; "tuition" was—and still is—considered the price students pay for *instruction.* But for a variety of reasons, particularly the growth, cost, and variety of student services, students were asked to pay additional fees as time went on, but these increasing charges were not used directly for instruction and, technically, were not tuition. That California offered almost free education because "tuition" was not charged was really a myth, but it caused few serious problems until recently.

At present, however, institutions collect substantial revenues from student charges that are earmarked for particular services and *cannot* be used for instruction or any other high priority demand. Common sense and reality require that the limitations on "tuition" be formally abandoned.

6. Fully utilize existing campus capacities and establish priorities for new campuses.

The Governor and Legislature should establish an impartial panel to examine existing and potential uses of higher educational facilities, public and private, under varying assumptions of utilization (e.g., a six-day academic week, greater early morning and

evening utilization, and year-round operation). To the extent that new campuses are planned, they should be located near population centers. The primary mission of each should be undergraduate education, and graduate and research missions, if any, should be assigned only on evidence of compelling societal need.

As the state and its institutions of higher education have suffered through the budget wars of recent years, contingency planning for new campuses has continued with little interruption. Accommodating the coming wave of new students will require some new campuses, but a great deal of thought needs to go into what kinds of institutions are needed and where they should be located.

Insofar as planning for new campuses proceeds, the Center believes the following priorities should be recognized by the state and implemented by its institutions:

- More effective utilization of existing public and private colleges and universities should have priority over development of new campuses.
- Any new public institutions of higher education should have *instruction* as the primary mission. No evidence has been offered that the state, or the nation, needs additional research institutions.
- New campuses should be located near major population centers to keep the costs of attendance as low as possible by providing students with the option of either living on campus or at home. The recent and dramatic increases in the price of public higher education makes this option critical to the accessibility and affordability of higher education to many Californians.
- Decisions about the locations of new campuses should be determined by the needs of the state and its regions. Donations of land or buildings, while often helpful, should not determine campus locations.

We are impressed by the procedures and results of the disinterested federal panel that made recommendations to the President and Congress on the closure of army, navy and air force bases. We urge that the Governor and Legislature adopt a similar process for the similar kinds of decisions needed regarding higher education facilities.

7. Specialize and cooperate to improve quality and reduce redundancy.

The only way that the quality of graduate research and professional education can be preserved and enhanced during these difficult conditions is through achieving greater systemwide economy and efficiency. Campuses must be encouraged to specialize, and the three systems of public education must be encouraged to cooperate more extensively within and among themselves, and with private institutions. New academic research and graduate programs should be established only if they are justified by clearly demonstrating needs that cannot be met by existing programs and campuses.

There may be no greater danger to the state and national preeminence of research universities than unexamined expansion in a time of financial stringency. In July 1992, Robert M. Rosenzweig, president of the Association of American Universities, told the President's Council of Advisors on Science and Technology, "We are in the paradoxical situation of being unable to support adequately all of the valuable scientific work we are now doing, while at the same time we are generating the capacity to do more." It would be wrong for California, the world's leader in the development of research, to contribute to the erosion of that quality by unexamined expansion.

8. Begin accomplishing more with less.

Overlap and duplication in campus offerings should be reduced. Moreover, one or more pilot programs in the University of California and the California State University should be established to test the feasibility of a three-year baccalaureate degree, the time to degree in much of Europe. Finally, all institutions should similarly test technological and other productivity improvements that promise to meet enrollment demand and reduce time to a degree without harming learning.

Early in 1993, Clark Kerr, former president of the University of California and one of the fathers of the 1960 Master Plan, observed that before higher education in California demands additional resources as a pre-condition for accepting new students, it should examine whether or not it was making the best use of the resources it already possessed. Pointing to the duplication in offerings among institutions, the amount of time required for students to obtain undergraduate and doctoral degrees, and the flight from teaching into research, he suspected that statewide systems could make substantially better use of existing funds.

"As a broad generalization," concluded Kerr, "we ought to be able to find within higher education at least a third of the necessary additional resources by better utilization over the next several years."

By its very nature, a massive system of public higher education—involving nine University of California campuses, 20 campuses of the California State University, and 107 community colleges—has a great deal of duplication and redundancy built into it. All of these campuses need to be able to offer comprehensive programs of undergraduate instruction and it is to be expected that many departments and course offerings—in English, mathematics, foreign languages, biology, chemistry, accounting, finance, engineering, education and so on—will be found virtually everywhere.

But it is difficult to understand why many specialized, high-cost upper-division, graduate and professional programs can be found in such abundance on campuses across the state. The Center recommends that each public system of higher education, and each

campus, analyze the following issues on a priority basis and report publicly to the Governor and the Legislature on the results of the analysis and the implications for reallocating funds:

- the prospects for greater specialization of offerings and responsibilities among campuses within large systems, including plans to reduce duplication of highly specialized, very expensive programs;
- the possibilities of encouraging more regional and statewide cooperation within and among systems of higher education—including, where appropriate, private colleges and universities—in order to improve access, educational effectiveness, and greater return on public investment; and
- methods for enhancing instructional and learning productivity (i.e., through the use of technology to extend the reach of faculty), including more effective use of faculty and student time for achieving state and institutional goals.

Institutions of higher education already possess a potential that is virtually untapped—the ability to reduce the time required for students to complete educational programs without reducing the learning. Acting on that potential can decrease the amount of time many students spend enrolled, providing additional room for other students at no additional cost. This potential exists in abundance in both undergraduate and graduate programs. For undergraduates, the traditional four-year degree now often requires five or six years; graduate study, on average, today extends up to six years in the sciences and up to twelve or more in the humanities and education.

The first priority should be to assure that students who attend full-time can, with a few exceptions for defensible academic reasons, complete their work in the traditional four years (for undergraduate degrees) and perhaps five years for doctoral study. Those who enroll on a part-time basis should make steady, measurable progress toward their degree objectives.

Better monitoring of student progress and ensuring the availability of necessary courses are essential. In return, students should be expected to progress at a reasonable rate towards their educational objectives.

The second priority should move toward a three-year bachelor's degree for some students. More than twenty years ago the Carnegie Commission on Higher Education declared that "the length of time spent in undergraduate education can be reduced by roughly one-fourth without sacrificing educational quality." It is time to give this proposal a fair test.

Finally, the severity of California's financial crisis offers an incentive to the state to lead the way in higher education by efforts to realize the potential of new telecommunications technologies in education. Most thoughtful observers understand that, properly utilized, technology can improve productivity and quality in higher education, both on and off campus. Although some steps are under consideration and others are in the early stages of implementation, there are few academic rewards for this work and little urgency attached to the task. At the very time that the potential for quality and productivity improvements

through the use of technology is being ignored, students are being turned away. The Center believes California is uniquely positioned to make a significant national contribution in this area—by combining the efforts of the state, the leaders of its high-tech industries, and public and private higher education in an urgent, cross-sector cooperative effort to put this issue on the front burner. Initial efforts should focus on technology that is currently in existence or is coming on line in the short-term and can be implemented almost immediately at reasonable cost. In addition to statewide and systemwide initiatives, incentives and support should be made available on a competitive basis to faculty who may be interested in conducting controlled experimentation with applications of technology to improve instructional and learning productivity.

9. Restructure administrative functions.

Educational missions should be given the highest priority. The continuing need for and size of each administrative component at systemwide and campus levels should be reviewed in terms of its cost and the value of its contributions to instruction, research and service.

The Center believes that each of the three public systems of higher education should conduct a "zero-based" analysis of administrative expenditures at the statewide and campus levels. The fundamental issue is not whether administrative budgets can be or have been incrementally reduced—even if they can be reduced by significant amounts—but the extent to which each component of administration adds value to the three broad missions of higher education—instruction, research and service.

As profits and budgets in the business sector have tightened in recent years, many corporations have been able to improve efficiency and eliminate fat by streamlining overhead, cutting out layers of managers, and flattening reporting hierarchies. It is undoubtedly true that higher education can profit from those lessons.

The Bottom Line: The Urgency of Operational Plans for the Future

In light of the difficulties imposed on higher education by the state's recent budgetary problems, very few state officials, academic leaders or citizens can take a great deal of comfort in the capacity of the institutions of higher education, as currently configured, to respond to the enrollment boom expected in the next several years. If students are to be accommodated and academic chaos avoided, the state urgently needs some coherent planning for the future. Emergency, ad hoc measures can only carry us so far.

Three issues stand out as requiring special attention: alternative ways of accommodating new students, the need for a new state compact governing financing, and the adequacy of financial aid.

With regard to alternative ways of ensuring access, the Center suggests that the state develop a disinterested, independent, nonpartisan analytical capability to examine how many additional students can be accommodated under different assumptions about facilities usage, campus cooperation and regional cooperation, and better use of faculty time. The analysis needs to consider use of existing facilities and the need for additional facilities, including such issues as the establishment of new campuses, greater evening and weekend utilization, and year-round campus operations. The need for new campuses and facilities can be determined after completion of such an analysis, a determination that, as recommended above, might best be made by an entity similar to the Federal base-closing commission (i.e., an independent commission whose recommendations are accepted or rejected in their entirety).

Problems of finance are the dominant concern of academic officials in the state today, making it hard to concentrate on preserving educational opportunity into the future. Understandable as these short-term economic concerns are, the preoccupation with cash flow has to make way for a passion for access and preservation of the state's legacy.

California needs a long-term plan that recognizes both increasing student demand for places on campus and the likely financial conditions of the 1990s and beyond. The lack of long-term planning is a serious threat to educational opportunity. But equally serious is the failure to recognize that simple extrapolation of current policies and practices, however successful they have been in the past, will not be good enough for the future. Without a plan, state officials will find that financial scarcity, politics, and institutional self-interest can only diminish California's capacity to respond to needs as they emerge in the future.

The underpinnings of the 1960 Master Plan—above all, the commitment to access for all with few or no fees—have been badly battered. The state, its citizens, and its institutions urgently need a new compact for the future, one that aims to provide educational opportunity and maintain high quality for the rest of this decade and into the next.

While higher charges to students may be part of the compact, this approach has been overused in the past three years, particularly in light of the economic difficulties the people of California have been facing. Even to those who believe that California has "under priced" higher education in the past, it makes little sense to dramatically raise costs in the middle of a severe recession. The evidence is clear that by making up the largest portion of the budget cuts of recent years, students and their families have made an enormous down payment on the future of California higher education. It is now time for the other parties to the compact—the state and its colleges and universities—to live up to their responsibilities.

The new compact will demand a great deal from each of its partners. The state must begin reinvesting in higher education, demanding, as a condition of new resources, that

institutions accommodate qualified students. Colleges and universities must face up to the economic and demographic realities by dramatically improving their own efficiency as well as their instructional productivity. Finally, students and their families face higher prices for college than those borne by earlier generations of Californians.

The state also needs to review the adequacy of support, sources of support, and distribution of student financial assistance from all sources. The structure, effectiveness and delivery systems of programs designed to assure that educational opportunity is available to all, regardless of personal or family financial circumstances, should be addressed comprehensively. This analysis should be completed—and any needed changes in the funding and delivery system should be implemented—prior to lifting the proposed moratorium on price increases.

Each of these issues—alternative ways of absorbing the enrollment boom, the development of a new state compact, and examination of financial aid—should be addressed and acted upon from a statewide perspective within the next year.

The Rewards of High Expectations

In a small volume titled *Excellence*, John Gardner, founder of Common Cause and a former member of the federal Cabinet, pointed out that educators and leaders share a trade secret: if they expect high performance, they are likely to be rewarded with it. The expectations California citizens hold for the performance of public and academic leaders in the state are remarkably high. But with history as a guide, there is no doubt that public officials and academic administrators can live up to these expectations.

When all is said and done, the successes of higher education in the last 30 years far exceed the disappointments. Most of these successes are a tribute to visionary academic leaders and state officials who understood the need to prepare our citizens for change before the future thrust it upon them. These leaders built a community college system that other states copied. Their state university system became a model for the nation. They supported a multi-campus research university that was the envy of the world. State support for students in private colleges and universities made it possible for the independent sector to play a vital role. Above all, these leaders guaranteed the benefits of higher education to every citizen with the motivation and ability to seek it. In doing so, they helped meld the diverse aspirations of the diverse peoples of the state. High expectations brought remarkable results.

Now our state's public and academic leaders are called to a new standard—to sustain this rich legacy so as to help an even more diverse citizenry grow and prosper in a new world and a very different age. They succeeded before and so they shall again.

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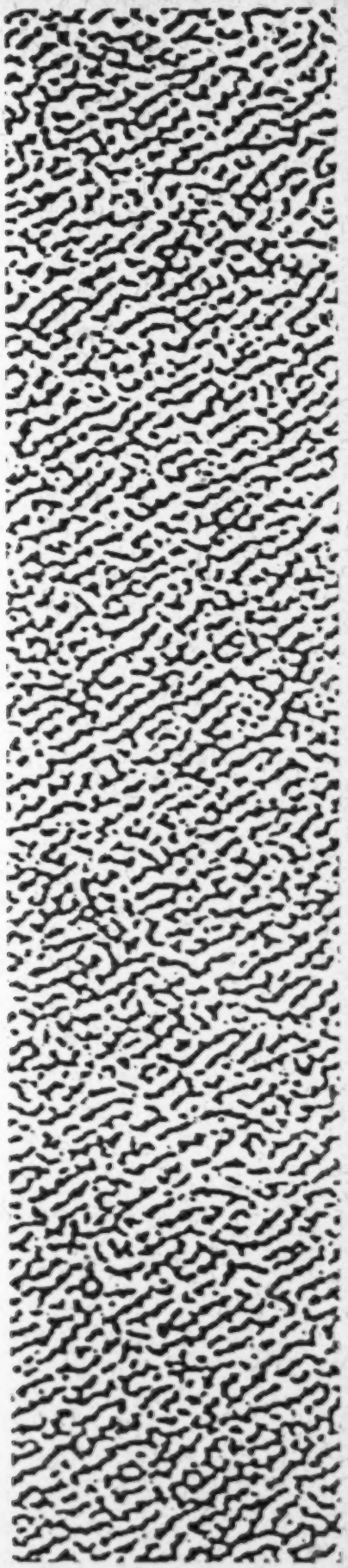

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